BUILDING SOCIETY CULTURE: VIEWS FROM THE TOP

A survey of Building Society Chairmen on behalf of the BSA

December 2016

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INTRODUCTION

This research has been conducted on behalf of the Building Societies Association using Independent Audit's online governance assessment service, Thinking Board®. The aim of the research is to explore the role of building societies' boards in maintaining a healthy corporate culture, and to gain an insight into current practice.

In drafting the questions, our aim was to suggest a variety of possible ways in which boards might be going about addressing "the culture question", which can encompass a wide range of meaning covering, for example, "how we do things round here", how we treat one another and customers, or how we respect rules. By including different aspects, we did not presume that the board should be covering the ground in this way – but it was our hope that the questions would provide useful food for thought.

32 out of 44chairmen completed the questionnaire in October 2016. They represent 88% of building societies (by asset size) from across the UK, with chairmen from both large and small societies taking part. (See Appendix II for a full list of participating societies.)

The responses are displayed on a series of bar charts, each dealing with a different thematic group of questions. We also draw your attention to the issues that were flagged by a significant number of respondents as being areas that "We should focus more on…". In general, here, we consider a third of respondents to be a significant number.

How to read this report

Each section begins with a bar chart showing a collated picture of all the scores for that section. The short titles along the bottom of the graph link to the full questions summarised in the table following the chart.

Each chart is followed by a summary analysis of the trends appearing across the responses for that section. We split the respondents into groups by size of society, to see if the responses differed. In fact, this revealed that the results were broadly similar regardless of size. We have highlighted any significant differences in our commentary. We also compared the results of this survey to those from our recent survey of the FTSE 350 chairmen, who were asked the same questions. Here too there were no clear trends. Again, we highlight any differences and similarities in our analysis.

The concluding element of each section is a table showing the most frequently flagged issues for that group of questions. Comments made in relation to each question can be found in Appendix I. These have been edited to keep the report anonymous and as concise as possible by removing duplications.

You will see in the report that there are several red scores. These indicate that the attention the board is paying to this aspect of culture is "none at all". This should not necessarily be seen as a negative score and, on closer analysis, we saw a correlation between the smaller building societies and the red scores – for them some of the measures outlined in these questions may simply not be practical.

One final point of clarification. A few chairmen used the written comments to note that the scoring range did not give them the opportunity to demonstrate the areas in which they excel. They felt that the score 'We do enough for now' did not encapsulate their performance in areas where a concentrated effort has been made to strive for excellence. However, this survey is not intended to rate building societies' performance, but rather to highlight areas that boards are focusing on now and what they plan to do in the future. The scoring system is the standard one that we use to encourage thought around areas requiring improvement. Several chairmen filling in this survey made the point that more can always be done and our scoring approach perhaps helps prevent complacency.

Section 1: Setting the tone
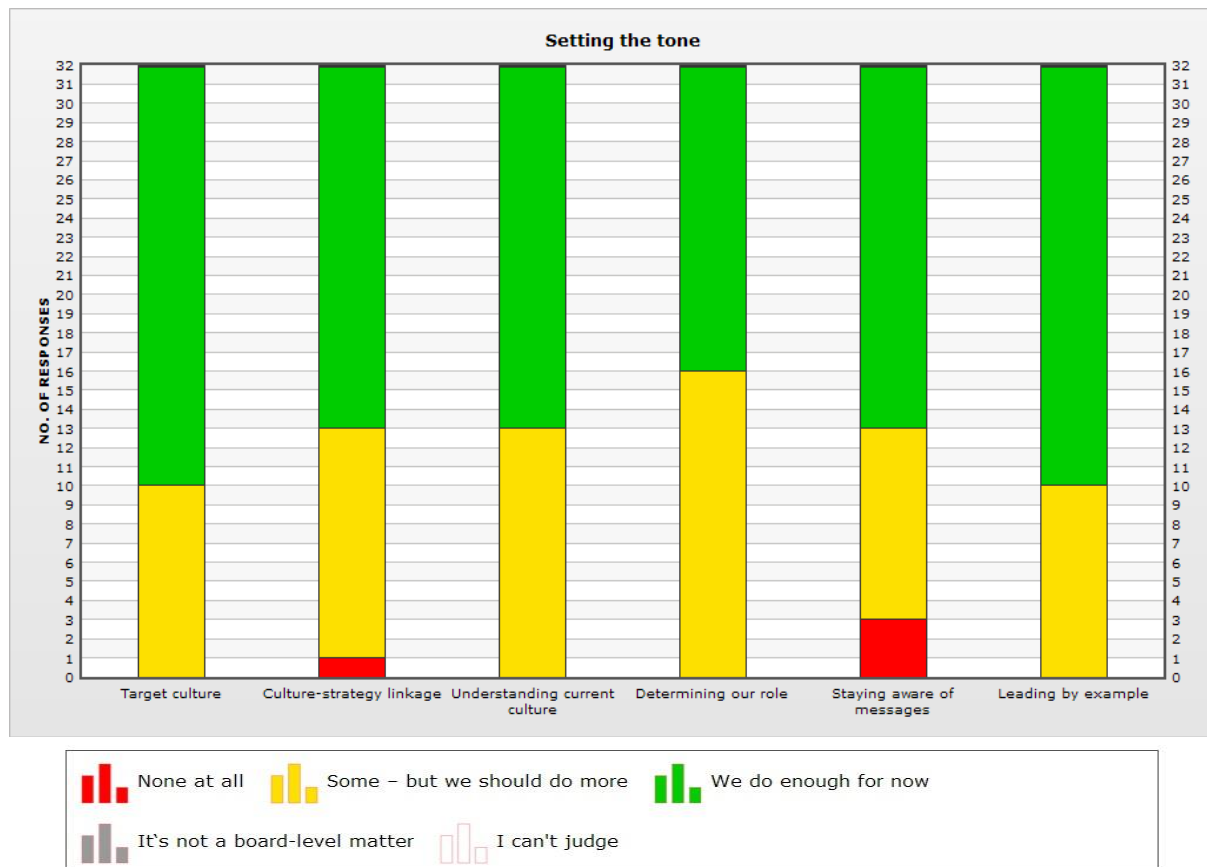
Questions
How much attention do we give to...?
Setting out the corporate culture and standards of behaviour we expect to be maintained throughout the organisation
Considering how maintaining the target culture is linked to strategic success
Making sure we understand the prevailing culture as a starting point for discussing the target culture
Determining what we should be doing as a board to strengthen our business culture
Staying aware of the messages we are giving externally about how we aim to behave as a business
Leading by example

This section covers the messages given by the board. Before later considering indicators of culture or the kinds of feedback received by the board, we first sought to explore how boards go about determining the target culture. How do boards consider the kind of culture they want? Are they really aware and conscious of the messages being given out, and do they have a say in what these messages look like? Is culture discussed explicitly, or is the board satisfied with having an implicit understanding?

When it comes to setting the tone within the organisation, it is clear that culture is being discussed at board level in all the building societies who took part. Across all questions, the strong majority are addressing the issues raised to some degree. While a majority are confident with the amount of

attention they are giving to each area, a significant number still see room for improvement. The prevailing culture appears to be increasingly high on the agenda for boards: the comments suggest there has been a concerted effort by many boards to increase the time they spend on it, with some chairmen stating that still more could be done.

While there is a recognition that culture should be addressed by the board, and a clear effort is being made to do so, there appears to be less certainty about how exactly the board can affect the culture. We see this in the issues that were flagged – over half of chairmen indicated that "maintaining the right level of board involvement to ensure we embed a strong culture" should receive greater focus. This might suggest that, despite time being spent on culture, discussions could be more practical.

Another issue flagged by over half of the respondents was "regularly revisiting target culture and reviewing progress in achieving it". The comments suggest that boards are devoting more and more time to culture in their board meetings, but there may be benefit in taking a step back and scrutinising whether the intended progress is being achieved.
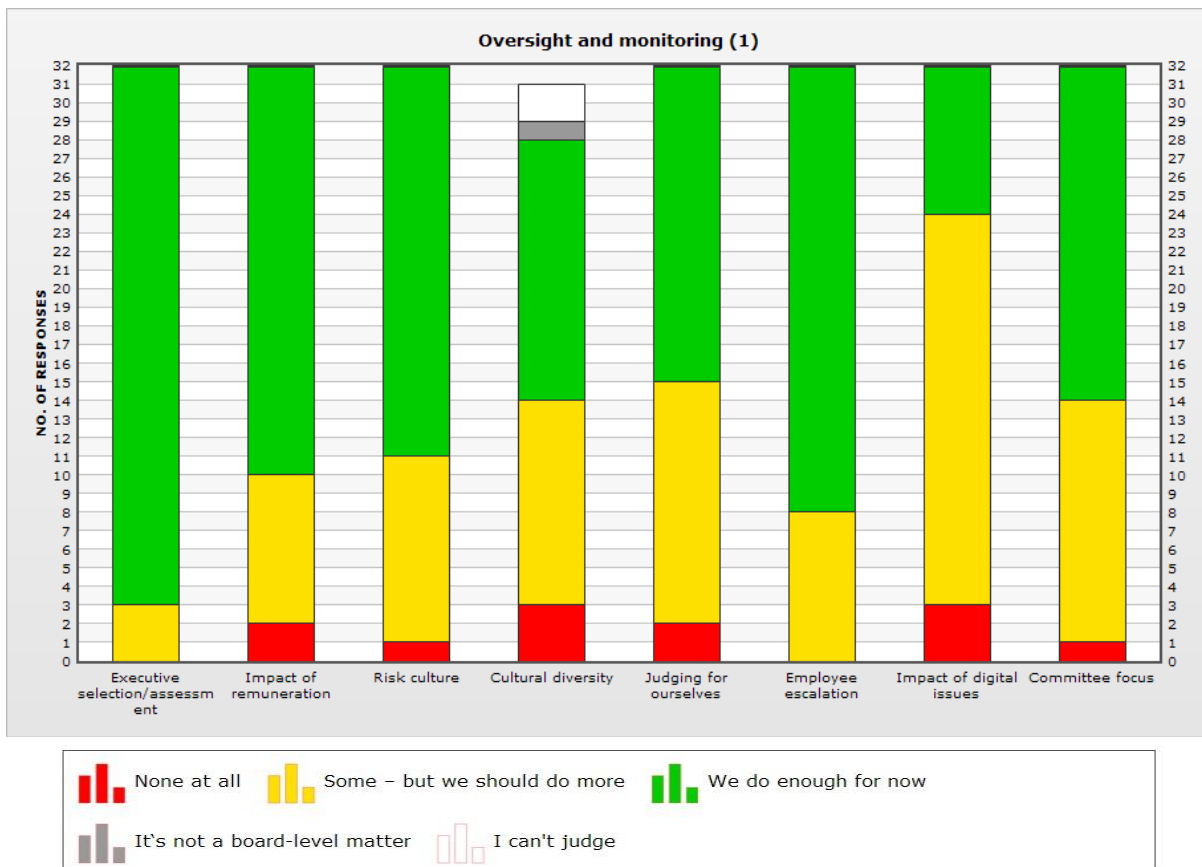
FTSE 350 chairmen and building society chairmen generally responded in the same vein: we found similar patterns between what was scored well and what requires more attention. Three of the five most frequently flagged issues were the same (marked with an asterisk below).

Of the differences between the two sets of chairmen, the most pronounced is that 40% of FTSE chairmen identified as an area requiring greater focus: "Making our dissatisfaction known and, if necessary, making sure action is taken when senior management clearly do not adhere to the values and culture". Only two of the 32 building society chairmen considered this an issue. Perhaps building society executives are giving their boards less reason for dissatisfaction than their corporate counterparts? Or might it indicate different dynamics in building society boardrooms?

Times flagged	We should focus more on...
18/32	Maintaining the right level of board involvement to ensure we embed a strong culture*
17/32	Regularly revisiting the target culture and reviewing progress in achieving it*
14/32	Ensuring we share a consistent understanding of what we're referring to when discussing culture, values and behaviour
12/32	Seeking a range of views from different levels and locations in the business*
12/32	Clearly defining how, as the board, we could and should be influencing culture
11/32	Regularly asking ourselves how as an organisation we have been behaving versus our publicly professed standards
10/32	Expressing in a structured way our views on the culture which we expect management to develop and embed
10/32	Consistently checking in board discussions whether the consequences of our decisions and initiatives are acceptable from a cultural and ethical viewpoint
9/32	Considering how embedding the desired culture will support achievement of the strategy

* Top five issue for FTSE 350 chairmen

Section 2: Oversight and monitoring (1)

Oversight and monitoring (1)

Legend:
- **None at all** (red)
- **Some – but we should do more** (yellow)
- **We do enough for now** (green)
- **It's not a board-level matter** (grey)
- **I can't judge** (white)

Questions
How much attention do we give to…?
Assessing the potential impact on culture of how we select and assess the CEO and other executives
Assessing the potential impact on behaviour of remuneration and reward systems
Considering the role of culture and behavioural standards in supporting effective risk management
Understanding the cultural diversity across different locations and units
Building our own impressions of employee attitudes
Ensuring employees have a route for escalating concerns
Considering the impact of digital issues
Focusing our committees on the cultural issues

Once the board has an understanding of its desired culture, the next logical step is to monitor key influencers and indicators of the culture. This part of the survey asked chairmen to what extent their boards consider culture when making decisions on appointments, remuneration etc. Do boards think about cultural differences across the organisation, or how culture impacts risk? How do boards go about understanding the culture and gaining insight into employees' perception of issues such as escalation of concerns and whistleblowing?

Culture is at the forefront of boards' thinking when they are recruiting and selecting the CEO and executives. These aspects are high on the agenda for the clear majority of respondents, and comments made in relation to this question back this up. The boards of FTSE companies are also looking carefully at cultural fit when they are recruiting senior executives.

One comment suggested that building societies will not have to consider this as often as public companies, given the limited turnover in staff, and as a result, culture may be far more embedded in employees' and executives' behaviour. The suggestion may have plausibility but the scope of this survey does not address it, nor the related question of whether it would be a good or a bad thing if it were the case.
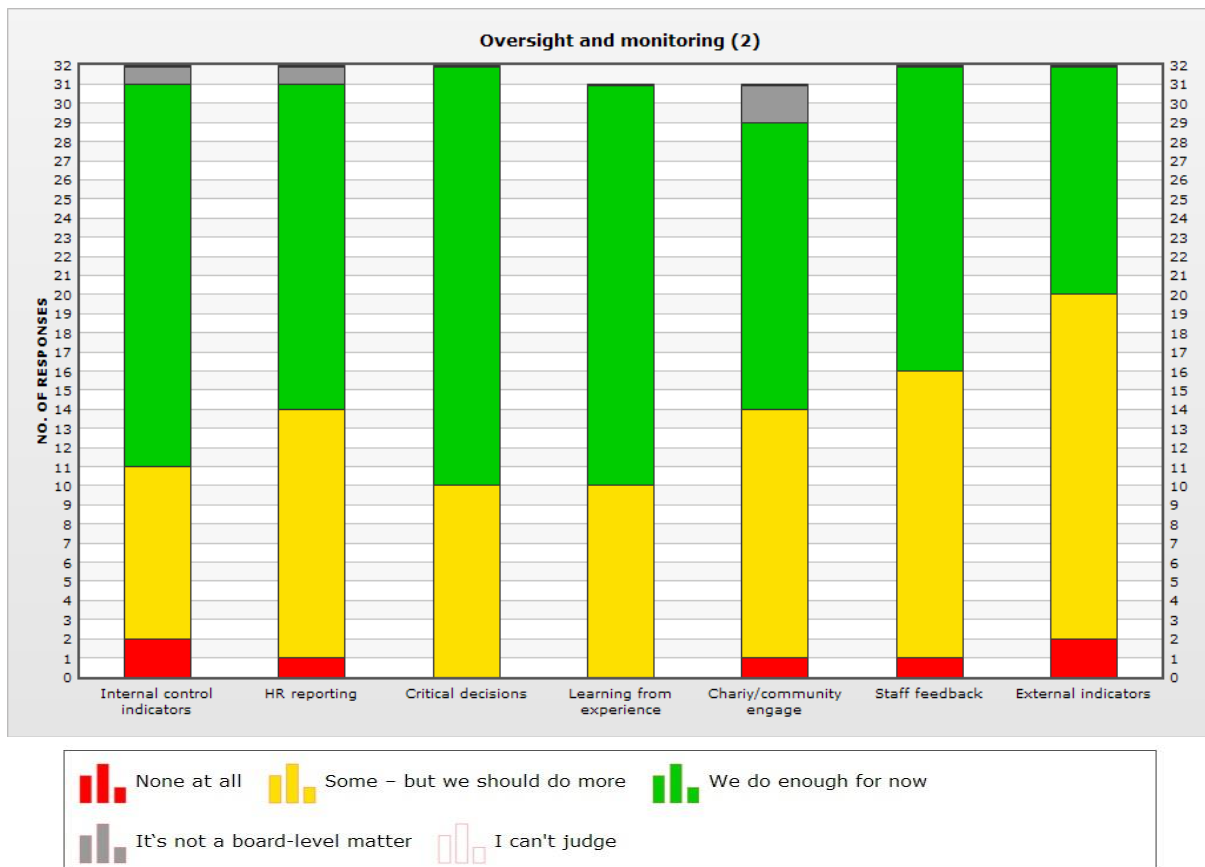
The area most commonly identified as requiring extra focus, for both building society chairmen and FTSE 350 chairmen, was digital issues. As a relatively new issue for boards, it may be that the implications of digital issues have not yet found their way on to the agenda of many boards. The majority of chairmen indicated that it was an area in which they should do more and only 25% were confident that enough is being done in the area. The reputational risks from social media and the way in which digital change may be impacting behaviour were of particular concern.

Times flagged	We should focus more on...
15/32	Considering the reputational risks of social media and the safeguards needed*
15/32	Ensuring there is sufficient awareness of the way in which digital change may be impacting behaviour*
13/32	Hearing from management on the strategic use of data gathering tools to provide insights into people's attitudes, the way they are working and being managed*
11/32	Assessing how our behaviours and culture impact the effectiveness of risk management and internal controls
11/32	Reviewing remuneration and reward practices across the organisation from a cultural stand-point
11/32	Encouraging a culture in which employees are unafraid to discuss concerns with their managers
10/32	Interacting enough with middle management and staff (eg through site visits) to get comfort on behavioural attitudes
10/32	Sending the right messages around reinforcing behaviours when we assess the performance of the CEO and other senior executives
9/32	Hearing directly from staff about how they enjoy working for us – and if not, why not
9/32	Considering how executive behaviour is being influenced by incentives

* Top five issue for FTSE 350 chairmen

Section 3: Oversight and monitoring (2)

Oversight and monitoring (2)

Legend:
- **None at all** (red)
- **Some – but we should do more** (yellow)
- **We do enough for now** (green)
- **It's not a board-level matter** (grey)
- **I can't judge** (faint)

Questions
How much attention do we give to…?
Considering reports from internal control and assurance functions as indicators of our culture
Considering reports from HR and other business functions to gain insight into our cultural strengths and weaknesses
Considering the impact on culture when taking critical decisions
Learning from experience
Reviewing the effectiveness of the charitable/community engagement programme and the need for any changes
Considering staff feedback on behavioural issues and attitudes
Considering external indicators of our culture

This section is less about actions taken and more about sources of information for the board. It examines further the information the board uses in order to exercise oversight over the culture. Are boards looking at formal reports from HR and Internal Control or are they more interested in meeting staff and experiencing the culture for themselves? Do boards use a mixed approach, or will some have a strong leaning one way or the other?

The vast majority of boards are considering most areas highlighted in this section, at least to some extent. The few red scores here typically came from the smaller building societies where all indicators may not be relevant. A picture emerges of boards exercising their oversight using many or all of these sources of information.

Around a third of chairmen, however, see benefit in giving them greater attention still.

Chairmen would like to give more attention to external indicators of culture, with feedback from members identified as a particular priority. Likewise, they feel that staff feedback should receive more board time. Comments suggest that staff feedback is gathered and is considered "crucial" in some cases. However, over a third of chairmen think that boards should focus more on hearing from management about how exactly staff feedback has been acted upon.

Times flagged	We should focus more on...
12/32	Hearing from management about actions that have been taken in light of staff feedback*
9/32	Ensuring the corporate culture encourages open investigation of mistakes and lapses in behaviour
9/32	Looking at personnel-related indicators (eg turnover, absenteeism)

* Top five issue for FTSE 350 chairmen

Section 4: Influences on culture

Influences on culture

Legend: No influence at all | Slight influence | Influential | Very influential

Questions
For each of the roles shown, please indicate your views on how they influence the corporate culture in practice?

This section looks at who has the most influence on culture. As expected, most chairmen think the CEO is the most influential. Senior management are seen as more influential than chairmen or NEDs. Control functions are also felt to be influential. Generally, respondents regard external influences, such as the media, peer companies and shareholders, as having lesser impact.

Chairmen of FTSE 350 companies feel very much the same way. The only difference was in the perception of the influence of chairmen compared to that of middle management: FTSE 350 chairmen were slightly more self-deprecating than their building society peers.

Appendix I: Comments

A large number of comments were provided by chairmen. We have reproduced most in their entirety, but some have been edited or removed to preserve anonymity and remove duplications.

Setting the tone

Comments
How much attention do we give to…?
Setting out the corporate culture and standards of behaviour we expect to be maintained throughout the organisation
Our strap line is "Doing The Right Thing" and this seems to have captured the imagination of our whole organisation. We need however to have more hard metrics that we more regularly review.
We do a certain amount on this but could always do better.
Culture is discussed at recruitment, induction and at various times in certain meetings.
We prefer to focus on climate: 'what it feels like to work around here' rather than culture 'what we do around here' because the former can be measured whereas the latter is very difficult to measure. We have a climate survey which we will be using later this year to measure alongside the leadership behaviours we are also measuring.
Regular monitoring of MI is planned and will start in the next quarter.
Important for the board to guide and not execute across the organisation.
It is important to set the required standards. It is also important to not impose unreasonable constraints on operational effectiveness.
Ensuring that the desired behaviours have been properly communicated to and understood by everyone in the organisation.
We have a number of means to compare and measure the Society's culture. We will not try to fix something which we consider not to be broken, but will remain vigilant on maintaining the good practices we see throughout the organisation. The board operates on an open and collegiate culture, which is reflected throughout the Society. The Non-Executives hold the Executives in very high regard on their values and openness, and in the way, they go about their duties which provides an exemplar for the organisation.
Our Conduct Committee is chaired by the Chief Executive, and one Non-Executive Director is a member of the committee.
We have made some progress in regularly reviewing our target culture and enablers like participation in the Sunday Times Top 100 best small companies to work, IIP and Investors in Excellence have helped.
We have been carrying out externally organised culture surveys for a few years and are tracking at different levels in the organisation where we are and want to be.
We have clear framework of 'how we do business' which we monitor via regular internal surveys and regular external independent customer surveys – these show consistently high results.
We have worked hard on our organisational culture – through developing a mission for the society, and defining the values by which we work.

Considering how maintaining the target culture is linked to strategic success
Again, we do discuss this – especially during our Annual Strategy Meetings – but then too often focus more on task than on culture.
It is implicit but needs to be explicit.
By definition, the culture must be consistent with/supportive of the strategy.
It is a culture of service, integrity, expertise and approachability, on which we build our strategic planning forecasts. All of the board 'gets mutuality'. We fully understand the importance of culture, values and brand as a vital USP for existing and new members choosing to give us their savings and /or mortgage business.
Focus on creating benefit to members is a critical part of our culture and our strategic plan.
Our strategy is underpinned by our cultural values.
Both the staff annual bonus scheme and executive short term and long term incentive schemes, have threshold and target levels of performance relating to customer advocacy and the 'HOW' an individual has performed (not based on financial targets).
Making sure we understand the prevailing culture as a starting point for discussing the target culture
We have just started involving Internal Audit (they are an external firm) in capturing cultural reporting for all audits they do. This Cultural survey will help us benchmark ourselves to some extent.
We do challenge the Executive, we carry out staff surveys and we do ask Members. We also seek views from Internal Auditors but could also ask other suppliers from time to time.
Culture audit completed in 2015. Regular monitoring of culture MI starts Q1 2016. Culture is in every internal audit assignment.
All views matter – from the board room to the boiler room – and not just those of senior management. Rather than rely on independent assessments, board directors should explore these issues in an open and straightforward way with colleagues at all levels. If they cannot do that there is probably something wrong with the culture in any event.
You need to hear direct from the horse's mouth not second-hand.
As chair, I maintain a positive and frequent interaction with the executive directors, particularly the CEO, whilst trying also to 'not get in the way' of their key roles. The other non-executives also have good levels of contact with the executives and their senior team in their committees, and in one to ones on committee matters. We had groups of branch managers join the board for a light lunch, at which we were able to hear how they were seeing the market, and the effectiveness of marketing and brand campaigns. We will return to this again in 2017. An internal audit on culture in 2015 has a 'substantial' audit opinion. Culture will again be audited in 2017.
The board ensures that a broad selection of the senior leadership team attend and present to the board. This ensures that the exec directors are not the sole voice that the board hears. It also enables the board to see senior individuals at least once per annum and gauge their contribution to the society in the context of technical/market knowledge, leadership skills and their alignment to the values and culture to which society seeks to deliver.
While our internal auditors claim to report on culture, we have not had any great value from this – over and above comments on "board effectiveness" which is something different in my mind.

Determining what we should be doing as a board to strengthen our business culture

The chairman and CEO will be bringing a joint paper to the November board setting this out.

We do discuss how this impacts across so many aspects of our activities – especially at the remuneration committee, but answering this does challenge me to think about ensuring that we all really do have the same understanding.

It is not clear how business culture differs from target culture.

A board can never do too much of this...where and when to engage is also important.

It is essential the board gets and stays involved, and there is a potential tension here given the ever-increasing demands/expectations of all stakeholders on a range of issues. So rather than making bland statements about engagement this needs to be translated into realistic specifics – who, what and when. A meaningful set of metrics is essential.

When the board is predominantly non-executive it is difficult for members to get too involved without treading on the toes of executives. There is a tricky balance to be achieved so NEDs get sufficient "feel" without intruding.

The main objective is to maintain the positive culture which already exists in the society. We will continue to use the various techniques outlined in this survey to measure and monitor our culture. The criteria for the bonus scheme will be further enhanced for 2017 to include culture as a KPI.

Annual board assessment indicates a clear understanding of and commitment to the strategic direction of the society and our focus on members.

As a new-ish board this has proved something of a challenge, but agenda'd discussion on culture has really made us think.

We have recently conducted an independent review of the board and how it operates. The report was discussed at the board and actions agreed where required. Outside of formal meetings, board members spend time meeting members of staff at all levels across the society, listening in to call centres, walking the floor and via regular branch visits.

Staying aware of the messages we are giving externally about how we aim to behave as a business

Again, we do this but we can always do more.

Internal and external messaging needs be consistent.

As consumers, we can all be guilty of inertia – when does it fall to the product provider to seek out and advise customers to update their legacy products?

We could probably do more to validate our views on perceptions by other stakeholders.

We need to continually communicate our mutual status, ethos and culture, individually and as a sector to ensure public, members and stakeholders are clear about our sector.

We are acutely aware of the competing needs of savers and borrowers. We ensure that all borrowers are given access to the whole market of mortgage products rather than just our own so that they get the right mortgage for them, regardless of the provider – unlike nearly every other society, we recognise that the majority of our members prefer to transact with us in a branch.

I think we could do even more of ensuring the public understand the key differences between ourselves and a bank – and how this plays out through our mutual structure, and our values. In times of reducing savings rates, they are always seen by the public as "profit taking" – without realising how hard we have worked to keep rates above the prevailing market rate where we can.

Leading by example
I regularly use the empty chair at the board table to challenge board that if a Member or Regulator was sitting in that chair, what would their view be of the discussion. This helps ensure we do lead by example.
Consistently checking doesn't convey the right tone. This would happen naturally if the culture at board level was established. Leading by example means being visible in the business and conveying the right messages.
The board takes leading by example very seriously. We are committed to mutuality and I frequently remind the board, we too are society members, who are appointed to serve the interests of all of our members. That can mean ensuring our members benefit from membership, but more fundamentally that following the global financial uncertainties arising from 2007-8, that we provide a safe and secure financially strong society for our members to do business with. Thankfully our executives and senior management (and board) lead from the front on culture and values.
Immediately after every board meeting, we discuss as a board what went well, less well and what needs to change. We all take responsibility to talk to any non-board members who have attended a board and provide them with feedback and encouragement.
Have been undertaking a lot of NED training of late but still a way to go.

Oversight and monitoring (1)

Comments
How much attention do we give to…?
Assessing the potential impact on culture of how we select and assess the CEO and other executives
This is very high on our agenda. Actually, we can continue to do more but in comparison to other questions we do give a good deal of focus to this.
Selection of the right CEO is essential to having the right culture. We have done this well.
Consistency of message is vital.
One of the effects of the society's culture is a very low turnover in staff at all levels. A high proportion of the staff are 'lifers' who have a strong sense of the quality and service and collegiality on how the society does things – our culture and values. The senior management team is also stable and high performing, and all are not at all insular. All are exemplars for the culture values of the society. This stability brings two challenges: 1) That the stability does not lead to closed thinking. 2) The stability, and loyalty, of the executives and the senior team places an onus on the board to ensure that they are properly treated, and not exploited.
There are specific objectives set for senior executives that underpin culture.
All executive performance gives equal balance to the WHAT and the HOW we have performed as a society. If the HOW does not achieve the objective that has been set, it can reduce any bonus incentive to zero, no matter how well the WHAT has achieved.
CEO has single most impact on the delivery of culture across the organisation.
We have worked hard with our CEO in particular to ensure he understands how his actions, behaviours and attitudes rub off across the organisation as a whole. We have seen a real step up in the last 18 months as a result – and it is pleasing to see this reflected in our staff survey scores too.
Assessing the potential impact on behaviour of remuneration and reward systems
Very high on the agenda of the remuneration committee.
More thought to be given to culture when setting objectives and remuneration linked targets.
The board, through its remuneration committee, is currently working on a remuneration strategy, which itself will be embedded in a new HR strategy. This will propose new pay scales from CEO down through the society. The society does not use sales based remuneration targets. A unified bonus system throughout the society is based largely on a series of behavioural KPIs to reinforce the values and culture of the organisation. This will be further enhanced by the introduction of a culture KPI in 2017.
Interestingly, this is high up on the RemCom agenda just now.
A couple of years ago, we did a root and branch review of our reward schemes across all levels of the Society to ensure consistency of drivers from across cultural, customer and financial results.
Up until now, we have shied away from 'incentives'.

Considering the role of culture and behavioural standards in supporting effective risk management

I would like to say we do well in this regard – but it's too easy to be tripped up! We do give this a good deal of consideration.

As we enter potential new markets – particularly lending into retirement – this is something we will need to do more and more on.

Understanding the cultural diversity across different locations and units

Given the nature of our area we are not as diverse as many other parts of the UK. We should continually challenge ourselves to do better. Having had almost 50% male/female split on board, we are very aware of the importance of diversity.

The society operates in a defined region of UK which is not culturally diverse, but has a focus on religious balance, which is subject to tight legislation with which the society fully complies. The main diversity focus is on ensuring gender balance at senior management and executive levels. The society has committed to 'Women in Finance', and the new HR strategy will seek to ensure that structures and working arrangements allow women at all levels who choose to aspire to senior positions, so that they do not encounter structural barriers to their ambitions.

As regards women in finance, 47% of our senior leadership population is female and there is no bias re remuneration/opportunity. From the board down, we seek to achieve diversity in gender, ethnicity, age.

Building our own impressions of employee attitudes

We have a quarterly WISH programme to recognise great behaviour – "Wowing" our customers/inspirational behaviour/suggesting efficiencies and process improvements/ and helping and supporting colleagues. Staff names are put forward and the "winners" have lunch with the board. Additional there are informal lunches for a selection of staff with individual board members. Senior management also present papers to the board.

Board members visit branches and head office departments regularly, and join in staff meetings and staff conference calls specifically to give attention to this. However, we could still do more.

"Culture MI" will provide data via engagement surveys. Appraisal vs desired values/behaviours and Internal Audit will assess via each piece of work. Better than "impressions from visits".

The executive team are very visible across the society and provide a valuable leadership role. As chair, I encourage the NEDs to get out of the boardroom and walk the floor of the organisation. In head office, we can see and hear the quality of interaction and collegiate climate across all levels of staff. Last year (and next year), the board invited three groups of four branch managers to join the board for a light lunch to allow the managers to provide feedback on their local markets and how they saw our products, marketing, and PR support working for them. All these interactions allow the board to get a feel for attitudes and morale throughout the society.

We have "board champions" where NEDs will work closely with one department (eg finance, underwriting, savings etc.) to understand better how each department is feeling. This way we get more immediate feedback of how the grassroots employees are feeling – rather than just relying on the staff survey or the HR team.

Ensuring employees have a route for escalating concerns
We also have a clear way that senior managers and executives can raise issues with board members. All staff are encouraged to do so – but never have done (so we could do better).
Well covered by "Speak up" policy – results reported to audit committee and engagement survey which tests willingness to speak up, feeling safe to do so etc.
We have formal whistleblowing procedures, which have been communicated to all staff. The senior independent director is nominated to take any contacts. Whistleblowing is a formal agenda item on the audit committee agenda. The low levels of staff turnover, and the lack of demand for any form of union representation, does not suggest that there are major concerns in the staff.
We have a clear whistleblowing policy and have communicated the process to all staff, including reassurance re the confidentiality of the whistle blower.
Have a whistleblowing procedure but do people feel comfortable about using it?

Considering the impact of digital issues
We are driving forwards a much more challenging digital strategy at present so this is front of mind.
Cyber risk has already impacted culture.
The board is very aware of the need to remain relevant in an increasingly digitised world, particularly for younger potential members. We have recruited a new non-executive with extensive strategic and general management experience in ICT, and enhanced the capacity of the ICT team with some consultants. The board is also focused on cyber-crime prevention and is encouraging the good work being done throughout the society to protect our systems and data.
We have a very clear digital strategy and we have documented and tested cyber security policies. However, the landscape is not static and we need to constantly review, test and upgrade our capability.
Massive issue for everyone – and only likely to get bigger.

Focusing our committees on the cultural issues
We currently have a separate conduct and culture committee. We are currently reviewing all committee terms of reference.
I am not sure we do enough at all committees – thank you for the pointer.
The board itself and all the board committees have the society's culture firmly embedded in how we operate; this guides our decisions and actions to act in a proper manner. The tone from the top is then led throughout the organisation by the executive management and senior team.

Oversight and monitoring: Part 2

Comments
How much attention do we give to…?
Considering reports from internal control and assurance functions as indicators of our culture
I'm not sure how valuable audit/assurance reports are. The focus for me should be listening to customers and colleagues.
We do review reports from a variety of sources on a range of areas relating to culture, but we need to be better at identifying the linkages/drivers/barriers.
We are still struggling to get meaningful measures around conduct risk. More to do here.
Considering reports from HR and other business functions to gain insight into our cultural strengths and weaknesses
These are all reviewed in the Conduct and Culture Committee plus at board level in the CEO's report.
We are looking harder at several admin expenses, but probably not from a cultural angle. Certainly demanding greater HR MI.
Culture MI will cover these issues.
Done at nomination committee, and then summarised to the board.
These measurements are part of the board assurance framework. The KPIs which underpin the society's bonus scheme all underpin the desired behaviours which support the culture values and brand. There are no product push targets in the society.
Greater attention to key personnel indicators within regular reporting would be worthwhile.
We have an HR professional who is excellent at this – and comes up with solutions as well as the issues.
Considering the impact on culture when taking critical decisions
If we were to be approached, we already have a template to assess cultural fit.
Going through significant digital change and very conscious of the cultural impacts – but still feeling our way.
Strategic decisions may require culture changes.
We are firmly convinced that we provide a superior business model for our members and staff. The culture is embedded into board and senior management decision making. We have a low risk tolerance for any initiative which we feel may result in future conduct problems, shown in the way on which PPI has emerged as a misselling issue across many institutions (but not in our society). We do not follow the herd in decision making and have, for example, ruled out any entry into lending into retirement on the basis of the unknown future impacts on our members, and their families.
Learning from experience
We try to recognise and reward the right behaviours but could always do more.
One of the areas which the board conduct risk committee and the management marketing committees focus on is on member and business partner compliments, which is a rich source of what is being done well. These far outweigh the number of complaints received. Where

complaints are received, they are analysed for systemic causation either in subject matter, or location. The collegiate culture we have encourages openness, and this also relies on how the board reacts to bad news. The emphasis is on making sure the issue is dealt with and taking the learnings from it.

Reviewing the effectiveness of the charitable/community engagement programme and the need for any changes

The board has recently discussed the issue of community engagement with an action plan agreed.

Working on a member centric structured approach – but still in development.

I have given the "maximum" score available but feel I could've scored this higher, if that option was provided.

Recent improvements in this area.

The board is seeking a wider corporate responsibility programme to articulate formally the positive approach we see, not just the community and charitable pillar; but also the marketplace pillar on how we treat our members, and other customers and business partners; the Workplace pillar on how we treat our people; and the environment pillar on how we look after the region in which we do business.

We spend a reasonable amount of time discussing new initiatives but far less on challenging the effectiveness of inflight/completed initiatives.

Considering staff feedback on behavioural issues and attitudes

Our last recent staff survey was completed by 95% of staff and the indicators of commitment, enthusiasm, and Doing the Right Thing were of a very high order.

HR strategy is being re-developed to include this.

How staff feedback is responded to is crucial.

Done at nomination committee, and then summarised to the board.

Our staff surveys score very highly for a financial services organisation and benchmark well across other industry sectors. The society operates a staff suggestion scheme and many of these are fully or partially implemented and the employees are rewarded accordingly. Staff turnover is very low.

We devote a lot of board time to understanding how our people/customers feel about the society and how it behaves from a corporate perspective.

Considering external indicators of our culture

We do have a broker feedback mechanism which is very positive but are considering other ways of capturing feedback.

The interface of our people with the outside world is where culture/brand attributes are defined. Monitoring complaints, compliments and media comment (including social media) is very important.

The society runs member and non-member focus groups to hear their views and test the strength of our brand perception and value. The board conduct risk committee has a structured review of complaints and also how these are handled to the members' satisfaction. Financial Services Ombudsman complaints are also analysed for causation and whether the Ombudsman has found in the members' favour. This committee also reviews customer compliments.

Influences on culture

Comments
For each of the following, please indicate your views on how they influence the corporate culture in practice?
General comments
Members have an indirect influence.
Appointing the right CEO is the fundamental starting point.
The tone from the top is paramount in this area. But from time to time, other factors may take on key influence if a specific issue arises, e.g. an audit review with particular findings that require a cultural shift.
CEO clearly has the most influence by far.
I have scored control functions highly on the basis they can influence negatively if not handled correctly.
The tone at the top remains the single biggest determinant.
The tone is set from the top.
I think we are a listening organisation and very open to the views of all stakeholders.

General Comments

Comments
Please provide any additional comments and views here. This could include comment on comparisons with other boards you sit on and any aspects of culture and overseeing culture which you consider specific to building societies.
Many building societies are small organisations and so proportionality and materiality are significant and relevant elements for the board to consider in setting standards in this area. A delicate direct touch often works far better than a heavy policy hand. The sector sets a high standard in developing and maintaining its cultural integrity.
There is substantial discussion of culture; but perhaps in a less structured way than might be necessary going forwards.
We concentrate at all board meetings on culture and our actions are all measured by that – given the vision of our society it is vital to our success.
Whilst being able to clearly articulate the society's values and measure behaviours are critical, the production of robust and succinct MI is proving challenging.
We can't (and don't) assume that simply being a mutual guarantees a good culture. It is something that has to be a continuing focus for the whole board.
The staff are very committed to Doing the Right Thing for customers and our behavioural scorecard and remuneration programme as designed to support customer-focused behaviour. This CEO sets a very good consistent message to his staff. From my experience of boards, the CEO is key to the culture of an organisation.
One of our four core values is having the interests of customers and each other at heart, and it's the "at heart" bit which we feel distinguishes our society from larger competitor organisations, particularly the big banks. That can and should be a major differentiator for mutuals.
The tone set by the board directly impacts how people behave in a business, and the values they demonstrate. The visibility of the board is key and the way the board and senior execs conduct themselves is the foundation of the corporate culture. What we reward from both a behaviour/values perspective and financial performance perspective can either underpin the desired culture, or undermine it.
I think the questions raised in this survey are evidence of how far objective assessment of culture has developed. This will be a tough questionnaire for many building societies (and PLCs!) if they answer it without inhibition!
The culture in our society is member-focused and driven by a long-term strategic view to help people buy homes and provide a safe place for their savings. It is not driven to maximise shareholder value. That is a key difference in the culture compared to other FS groups.
Building societies are a particular subset in that effectively they only raise capital by retained profits. This produces some inherent contradictions, insofar as the society needs to build capital to meet regulatory pressures, but also wants to offer beneficial/advantageous products/rates to its members which lowers profits and hence reduces capital retention. Culture is therefore a crucial aspect of ensuring that a society delivers appropriate value, service and conduct to its members, whilst attempting to remain viable.
Building societies start with a natural advantage to some other businesses. They have a strong focus on service and doing the right thing. However, it is very easy to lose that if those values are not

supported and embedded. For other organisations, it is a major challenge to get to the place building societies start from.

The fact we are owned by our members implies a strong alliance to managing the society for their benefit. However, the lack of external pressure and challenge such as would exist in a "plc" environment implies a risk of complacency and inward focus. Mutuality and a member focus can sometimes hide a lack of commercialism, particularly regarding efficiency, and again the culture needs to be managed carefully to strike the right balance.

Mutuality creates a base culture across building societies that is different from banks and other corporates. Common regulation also has an impact in terms of limitations on risk appetite (particularly in recent years). The cultural differences between individual building societies are less, by comparison, in my experience. You would be hard pushed to differentiate individual societies' stated values. The main differences relate to management attitudes and success in influencing staff behaviours.

Having the right culture is critical to a successful business. From what I know, the ethos of building societies is generally supportive of a healthy culture but there will be exceptions and we cannot afford to be complacent. My reservation is that regulatory pronouncements will provoke a 'culture industry' and consequentially a disproportionate approach. Behaviours should be implicit and not driven by a rule book.

Appendix II: Participants

Chairman	Building Society
Laurie Adams	The Principality Building Society
Robin Ashton	Leeds Building Society
Robin Bailey	Buckinghamshire Building Society
Peter Brickley	Newbury Building Society
Rob Cairns	Penrith Building Society
Rachel Court	Leek United Building Society
Alan Craft	Melton Mowbray Building Society
Jeremy Cross	The Mansfield Building Society
Marcus Daly	Tipton & Coseley Building Society
Philip Dearing	The Hanley Economic Building Society
Robert Derry-Evans	Bath Building Society
Geoff Dunn	Saffron Building Society
Anna East	Dudley Building Society
John Edwards	Nottingham Building Society
Mike Ellis	Skipton Building Society
Colin Franklin	Hinckley and Rugby Building Society
Rob Golbourn	Scottish Building Society
Trevor Hebdon	Cumberland Building Society
Joanne Hindle	Holmesdale Building Society
Rodger Hughes	National Counties Building Society
Colin Millar	Furness Building Society
Phil Moorhouse	Newcastle Building Society
Mark Nicholls	West Bromwich Building Society
Ian Pickering	Coventry Building Society
James Ramsbotham	Darlington Building Society
Martin Rice	Earl Shilton Building Society
Stephen Richardson	Harpenden Building Society
David Roberts	Nationwide Building Society
Steven Round	Ecology Building Society
John Sandford	Chorley Building Society
John Trethowan	Progressive Building Society
Haydn Warman	Monmouthshire Building Society

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